

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Somont Oil Company
16126 Chasemore Drive
Spring, Texas 75206-3927

Township 36 North, Range 4 West
Section 7: E½
320 Acres
Toole County

Somont Oil Company has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

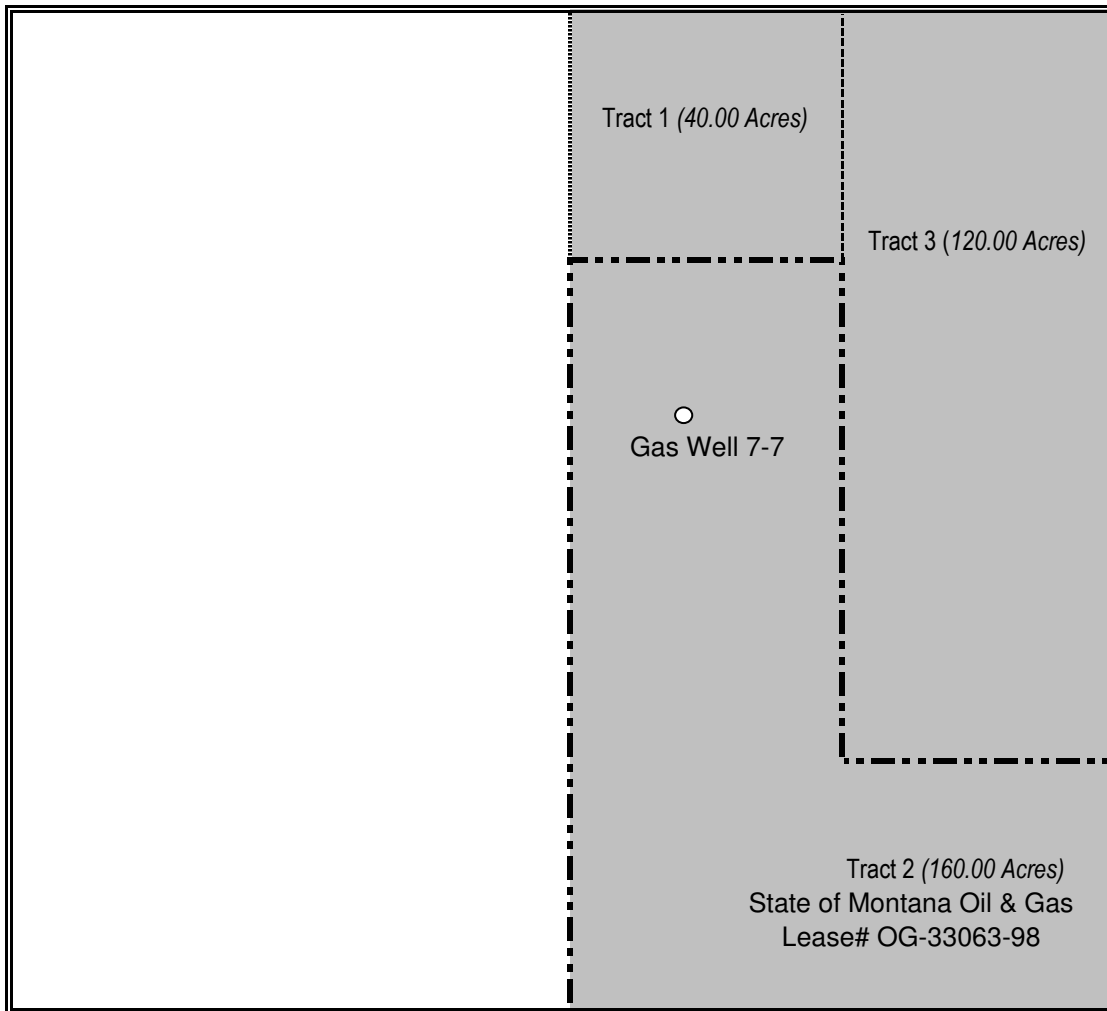
The State 7-7 well, which is a Cut Bank formation oil well, was drilled in the SW¼NE¼ of Section 7. This spacing unit has a total of 320 acres. The Department owns 160 acres of the 320 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes the Cut Bank formation in the E½ of Section 7.

The Department's tract comprises 50% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 6.50% of all oil production (13% royalty rate x 50% tract participation) and 6.25% of all gas production (12.5% royalty rate x 50% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

Township 36 North, Range 4 West

Section 7



 320 Acre Spacing Unit

Recapitulation

Tract No.	No of Acres Committed	Percentage of Interest in Communitized Area	Royalty Rate	Owners Interest
1	40.00	12.5000%		
3	120.00	37.5000%		
2	160.00	50.0000%	13.00% Oil	6.50%
			12.50% Gas	6.25%
Total	320.00	100.0000%		